

Back to School Executive Director Update

August 22, 2012

Now that summer is over and school is back in session, I thought it would be a good time for an Executive Director Update to put some reminders out there about benefits, as well as welcome a new ATRS Trustee, give some information about last year's retirement season, and finally, to give an update on the ATRS trust fund.

First, on retirement benefits, it is important to fully understand some important rights that you have as a working member of ATRS. Importantly, these rights often can be lost if not exercised at the right time. ATRS truly has so many great benefits for members. The first right I will talk about is disability retirement.

Disability Retirement

ATRS has a disability retirement program as a part of your ATRS benefits. Unlike many retirement systems, ATRS does not require a member to be approved for Social Security disability before being approved for ATRS disability. This also means that being accepted for Social Security disability does **not** guarantee that the ATRS disability rules will find you disabled. Generally, however, ATRS has more generous acceptance standards on disability than Social Security does at this time.

ATRS uses a Medical Committee made up of retired doctors who generously share their time and expertise to evaluate disability applications filed by ATRS members. The process is efficient and fair. Typically, within sixty days of a member filing a disability application, the ATRS member will know the outcome of the disability application. If a member is approved for ATRS disability, ATRS uses the member's years of service, highest salary, and combined multipliers to determine the disability retiree's benefit. The monthly benefit is determined just as if the member had reached age 60 and applied for standard age and service benefits. A member who is approved for disability with five years of service will have a lower benefit than a member who gets on disability retirement with 22 years of service, if they have the same salary and contributory/noncontributory status. The disability benefit is based upon the actual retirement formula and is not lowered or enhanced due to the disability approval.

If you are injured in an accident or recognize that you have an illness that threatens your ability to continue working, the first thing you need to do is consider whether you

should file for ATRS disability benefits. It is important to note that the ATRS disability benefit is different from a disability policy that you might buy through an insurance company offering disability insurance. ATRS offers a lifetime benefit that is separate and apart from Social Security disability, private disability insurance policies, or other disability programs. Even if you are clearly disabled, **you must file an application for ATRS disability while you are still eligible to do so or your application will be rejected.**

Do not miss the filing deadline!

Understanding the deadline for filing an application is important. A member must be **ACTIVE** in order to apply for ATRS disability. A member remains active for one fiscal year (a fiscal year runs from July 1 through June 30) after the fiscal year that the member last received retirement credit in ATRS. What does this mean? It means that if a member receives forty days of service credit in the current 2012-2013 fiscal year, the member will remain an active member through June 30, 2014, which is one additional fiscal year after the current fiscal year that we are in now. On July 1, 2014, the member would become inactive unless the member worked enough in the 2013-2014 fiscal year to earn at least 1/4 year of service.

A member obtains service credit by being credited with 40 or more days of work service in a fiscal year. If the member worked enough in the last fiscal year (2011-2012) to get at least 1/4 year of service, then that member is active all this fiscal year. If the member does not go to work in this fiscal year or does not receive, at least, 1/4 year of service, then the member's active service ends on June 30, 2013. **If a member files a disability retirement application after the member has become inactive, the application is rejected even if the member was clearly disabled prior to the date of the application.** This is true even if the facts show that the member was disabled while the member was still active. So, missing the filing deadline will cause you to miss out on ATRS disability retirement benefits.

Some members have a private disability policy and decide to wait to apply for ATRS disability until after the private policy is exhausted. That can be a big mistake if the member becomes inactive while on the private policy. It is also a mistake to wait until the member's Social Security disability application is approved. As part of this primer on disability, I've attached a question and answer document, **ATRS Disability Retirement FAQ's**, which was developed by ATRS staff to answer many issues about disability retirement. If you know of a member who has health issues or was injured in an accident and may be unable to work in the future, please make sure they know about these important provisions on ATRS disability.

Survivor Benefits

Many school employees have minor children as they work in the school system. For those members with 5 years of ATRS service, they have the added protection of ATRS survivor protection! The ATRS survivor protection for qualified members is a GREAT benefit! For members just short of five years of ATRS service with minor children, eligibility for survivor protection is just around the corner. ATRS has developed a high quality survivor program to provide assurance to its vested members (with five or more years of service) that their children will be taken care of through college age if the member dies while in active service. If you have less than five years of service, continue work in the schools, receive retirement credit, and soon you will have that same protection that your friends have who have that important five years of service in ATRS.

ATRS survivor benefits are not based upon your years of service like disability retirement or standard retirement. With survivor benefits, ATRS understands that often the greatest need is for the very young children of members who die in the early part of their careers. Therefore, the benefit for a member with five years of service is exactly the same benefit as a member with 35 years of service, if they die while an active member and leave surviving minor children.

The survivor benefits are based upon the best **one year** salary of the member. ATRS will go through the member history and pick the highest salary year ever earned by the member. In addition, if the member has a contract with the employer, ATRS will use the **contract amount** as the high salary, if the contract amount is higher than any year in the member's history. Using that high year as the basis for the calculation, ATRS will give **each** minor child of the member **20%** of the member's best one year salary, up to 3 minor children. An incapacitated child is entitled to receive a dependent child annuity for as long as the incapacity exists, regardless of age.

For instance, if an active member dies, made \$50,000 in a year, and has two minor children, each minor child will receive **\$10,000 per year** until that minor child reaches age 23, as long as the child remains in school, full time, in an approved educational program. In addition, that \$10,000 **increases** over time based upon the ATRS cost of living adjustment (COLA) every June 30, once the child has been drawing a survivor benefit at least twelve months. The ATRS COLA is 3% per year on the base benefit. This means that if a member has survivors at the time of death who are one, two and

three years of age, the benefit payable at age 23 for these three minor children will be significantly higher than the \$10,000 per year that is the initial base for the survivors.

There is a limit on the survivor benefit. The most ATRS will pay is 60% of the member's best one-year salary. This means if the member had a high salary of \$50,000, ATRS will only pay \$30,000 to the minor children group as an initial base. If that member (with a high salary of \$50,000) has six minor children, each would receive a \$5,000 a year base.

This survivor protection is an important consideration as members work for the public schools. This survivor protection goes away once the member becomes **inactive**. Remember, a member only remains active for one fiscal year after the last fiscal year the member received service credit of one-quarter year or more in ATRS. Yes, that does mean that ATRS does extend survivor protection even if the member is not working in the next fiscal year after receiving at least $\frac{1}{4}$ year of service credit. This is because ATRS understands that some members may move to a new community or leave an ATRS covered position with a short break in service. ATRS determined that it was important to keep this important benefit available even if a member was not working for a period of time.

Welcoming a New ATRS Trustee: KATHY CLAYTON

The ATRS Board met on August 6, 2012, and chose a new ATRS Trustee for Certified Position #4 to the ATRS Board. The ATRS Board had a group of highly qualified applicants for the vacancy. Ultimately, the ATRS Board chose Kathy Clayton, a teacher in the Malvern Public Schools, as the new Trustee. The ATRS Board welcomes Kathy Clayton to serve in this very important position. All of ATRS looks forward to the service of Kathy Clayton as a member of the ATRS Board of Trustees.

Report on Retirement Season

ATRS has always had both a sad and joyous time after school is out each spring. ATRS has a steady flow of teachers, administrators, and school employees who have reached the point in their lives where it is time to retire. ATRS staff shares both the joy of a member reaching such an important pinnacle in the member's career, and, at the same time, often shares in the member's sadness about leaving such a rewarding and honorable profession that delivers the educational curriculum to the students in Arkansas. This retirement season was much like the others. ATRS' retirement

numbers continue to increase each year as the baby boomers retire and many educators decide it is time to begin a new phase in their lives as an ATRS retiree.

Here are a few numbers on the latest retirement season for July 1st and the 2011-2012 fiscal year:

As of **July 1, 2012**, ATRS had 1,644 new retirees, which included 684 members who retired from the T-DROP plan, and 649 new participants in the T-DROP program.

For the **fiscal year 2011-2012** death benefits paid were \$6,979,753; T-DROP distributions were \$103,659,197; termination refunds were \$7,581,741; and monthly benefits paid were \$710,467,318.

A **Trends Report** is attached as a separate document to this review. The Trends Report shows the comparison of ATRS benefits from fiscal years 2009-2010 through 2011-2012, and the one month of data for July 1, 2012. Also attached is an informative **Membership Data** document which shows various member counts as of the current date.